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SUBJECT: DFAT READOUT OF FM SMITH'S DISCUSSIONS IN CHINA

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Classified By: POLITICAL COUNSELOR JAMES F. COLE. REASON: 1.4 (C) AND (D)

11. (C/NF) Summary: Department of Foreign Affairs and Trade (DFAT) North Asia First Assistant Secretary Graham Fletcher told Polcouns on April 8 that Foreign Minister Stephen Smith's talks with Chinese officials on his recent trip to that country went well. He noted that the March 24-27 visit took place at a "strange" period, amidst a background of Australian press stories of the alleged investigation of Defense Minister Fitzgibbon link with a Chinese-born businesswoman, debate over Chinese investment in Australian mining firms and Australian media complaints over the Prime Minister's "secret" meeting with Chinese Communist Party propaganda chief Li Changchun. Fletcher said that during talks with Foreign Minister Yang, there were "fairly strong" exchanges on Tibet, the Dalai Lama and Chinese military spending/planning transparency. During talks on Chinese trade and investment, the Chinese accepted Australia's legitimate security concerns (such as the Oz Minerals issue), but also warned that Australia should be "fair" to China. Referring to the upcoming release of the Australian Defense White Paper, the Chinese asked Smith not to single out China as the reason for its strategic defense reorientation. End Summary.

FOREIGN MINISTER SMITH'S FIRST TRIP TO BEIJING

12. (C/NF) DFAT North Asia First Assistant Secretary Graham Fletcher expressed general satisfaction with Foreign Minister Stephen Smith's recent visit to China during an April 8 conversation with Polcouns. Fletcher said that the March 24-27 trip was Smith's first to China as Foreign Minister and the second "Strategic Dialogue between the two countries. During his visit, Smith met with Foreign Minister Yang Jiechi, Vice President Xi and Party Secretaries from Sichuan and Chongqing. Fletcher noted that the visit took place at a "strange" period, amidst a background of Australian press stories of the alleged investigation of Defense Minister Fitzgibbon link with a Chinese-born businesswoman, debate over Chinese investment in Australian mining firms and Australian media complaints over the Prime Minister's "secret" meeting with Chinese Communist Party propaganda chief Li Changchun. Smith first visited Chengdu and Chongqing where he visited earthquake reconstruction sites and met with business leaders. During these stops, Chinese business representatives expressed confidence that the worst of the effects of the GEC are over for their region and that they expect roughly 12 percent economic growth this year.

MEETING WITH FOREIGN MINISTER YANG: CHINA'S INVESTMENT IN AUSTRALIA

13. (C/NF) The bilateral discussions lasted about 45 minutes, followed by lunch and the Strategic Dialogue discussion, Fletcher said. Both agreed on the need to conclude a Free Trade Agreement. According to Fletcher, the Chinese cast the overall issue of Chinese investment in "win win" terms - Australia needs the investment in its mining infrastructure and China holds the cash. In what Fletcher characterized as a dig at the Australians, Yang urged Australia not to succumb to protectionism in its trade and investment policies. the Chinese accepted Australia's legitimate security concerns (such as the Oz Minerals issue), but also warned that Australia should be "fair" to China.
BACK AND FORTH ON MILITARY TRANSPARENCY/TIBET AND FALUN GONG

14. (C/NF) Fletcher said that the Chinese became "testy" on several issues, including transparency about its military capabilities and intentions. The Chinese riposte, according to Fletcher was essentially "what about you," maintaining that the U.S., Australia and Japan talk about military scenarios and do not inform China. Referring to the upcoming release of the Australian Defense White Paper, the Chinese asked Smith not to single out China as the reason for its strategic defense reorientation.

15. (C/NF) Fletcher said that the two sides had "three goes across the table" on Tibet. To the annoyance of the Chinese, said Fletcher, Foreign Minister Smith noted that he had met with the Dalai Lama last year when the religious leader was in Australia. The Chinese Foreign Minister's side came back strongly when Smith said that the Dalai Lama is likely to visit this December when he comes to attend a religious conference and receives an honorary degree," and will likely be received by parliamentarians. Despite the Chinese saying that the Australians should not meet with the "splittist" religious leader, Fletcher said that the government will likely proceed to meet the Dalai Lama "with full knowledge that we will have to endure six months of nastiness from the Chinese."

16. (C/NF) There was also an exchange on Falun Gong's attempts to sue Beijing in Australian courts for violations of the organization's rights. The Chinese position was the "governments cannot be sued" and that Embassy officials in Canberra will not appear in court - even to state that as a government they are immune from prosecution, as recommended by the GOA. Instead the Chinese urged DFAT to intervene to quash of the Falun Gong suits.

NEED "COOPERATIVE" U.S. ADMINISTRATION AND RIGHTS FOR RISING POWERS

17. (C/NF) Yang stated to Smith that China wants the new U.S. administration to be "constructive and positive" in its dealings with China ("read do everything that China wants," said Fletcher). Both sides discussed a grater stake for China in the IMF with the attendant rights and responsibilities. Yang said that there is a need for greater international rights for the world's "rising powers."

DPRK

18. (C/NF) The talks took place before North Korea's launch of the Taepo-Dong 2 missile. The Chinese said that the international community should exercise restraint in the event of a launch. If the payload turned out to be a satellite then the launch of the rocket "should be looked at differently." Above all, the Six Party talks need to be restarted, according to the Chinese.

PAKISTAN

19. (C/NF) During the discussion on Pakistan and Afghanistan, Smith expressed deep concern over the situation in Pakistan. He warned the Chinese that if "Afghanistan goes down, China is imperiled."

APC

¶10. (C/NF) Fletcher said that the Chinese were "quite positive" in general regarding the Australian Asia Pacific Community initiative, stating to Smith that they understood the rationale of the proposal. Fletcher added that the Chinese enjoyed being the central focus, along with the U.S., of the APC proposal, saying that it gives Beijing "face."

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